

Message Text

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AMCONSUL IBADAN

AMCONSUL KADUNA

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E.O.11652: N/A

TAGS: ETRD, NI

SUBJECT: FOREIGN EXCHANGE GUARANTEES

REF: STATE 310873

1. REFTEL CORRECT. THOSE EXPORTING TO NIGERIA MUST OBTAIN BANK GUARANTEE THAT FOREIGN EXCHANGE RELEASED FOR DOWN PAYMENT TOWARD SHIPMENT OF GOODS WILL BE RETURNED IF CONTRACT UNFULFILLED.

M. AFAM OKOLUE, MANAGER, IMPORT OFFICE, EXCHANGE CONTROL DEPARTMENT, CENTRAL BANK, TOLD EMBOFF THAT REQUIREMENT WAS PROMULGATED BY CENTRAL BANK OF NIGERIA NOVEMBER 2, 1977 IN AN EXCHANGE CONTROL MEMORANDUM TO AUTHORIZED DEALERS. OKLUE EXPLAINED THAT EXPORTERS OFTEN REQUIRE PAYMENT TERMS OF 10-25 PERCENT DOWN THEN PAYMENT OF REST AFTER PRESENTATION OF SHIPPING DOCUMENTS. ONLY THE DOWN MUST BE GUARANTEED UNDER THE NEW REGULATION. NO GUARANTEE IS REQUIRED IF EXPORTER RECEIVES COMPLETE PAYMENT UPON PRESENTATION OF SHIPPING DOCUMENTS. GUARANTEE MUST RUN UNTIL SHIPMENT OF GOODS OCCURS.

2. OKOLUE EXPLAINED THAT REASON FOR NEW REQUIREMENT WAS THAT BUSINESSMEN IN NIGERIA WERE COLLUDING WITH ALLEGED FOREIGN EXPORTERS TO LUKVO FOREIGN EXCHANGE OUT OF COUNTRY UNCLASSIFIED

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THROUGH USE OF DOWN PAYMENT FOR GOODS THAT WOULD NEVER BE SHIPPED. SINCE BANKS WOULD NOT GUARANTEE DOWN PAYMENT AGAINST NONPERFORMANCE UNLESS THEY COULD TESTIFY TO INTEGRITY OF EXPORTER, BANKS IN EFFECT WOULD HELP POLICE NIGERIAN FOREIGN EXCHANGE OUTFLOW.

3. OKOLUE CALLED THESE QUOTE ADVANCE PAYMENT GUARANTEES

UNQUOTE VERY COMMON. HE HAD SEEN THEM ISSUED IN NEW YORK FOR
TRADE BETWEEN U.S. EXPORTERS AND OTHER COUNTRIES OF THE WORLD.
HE ESTIMATED THE COST AS NOT GREATER THAN ONE PERCENT OF DOWN-PAYMENT

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